

# Co-Leadership and Hotel Management. The Account Systems USALI and BSC to Improve Effectiveness and Efficiency. The Portuguese Case

José Lamelas<sup>1</sup>, José António Filipe<sup>2</sup>

<sup>1</sup>*Universidade Lusófona de Humanidades e Tecnologias (ULHT-CPES), Lisboa, Portugal*

E-mail: pereiralamelas@netcabo.pt

<sup>2</sup>*Instituto Universitário de Lisboa (ISCTE-IUL), BRU/UNIDE, Lisboa, Portugal*

E-mail: jose.filipe@iscte.pt

**Abstract** – In a very competitive, uncertain and very complex environment, it is supposed that changing from a single leader to a leadership team with complementary skills is an evolution that may highly contribute to motivate and to allow a good organizational environment, as well as to get a more effective and efficient system in the organization. This research aims to verify whether or not there is a relationship between the model of co-leadership and the improvement of effectiveness and efficiency in the Portuguese hotel companies. For this purpose, we got answers to 1723 questionnaires, interviews were made, customers' satisfaction was tested, economic and financial performance was studied and specific case studies were made. In the study, the results confirm that the stronger the co-leadership is, the better the effectiveness and the efficiency are. "Co-leadership" and "GOP – Gross Operating Profit" variables are strongly correlated among themselves and with other important indicators of operational effectiveness such as "Organizational Environment", "Work Motivation" and "Customers' Satisfaction".

**Keywords:** Leadership, co-leadership, effectiveness, efficiency, hotel management.

## 1. Introduction

What is the secret of the competitiveness? Why do some companies thrive and others do not? Why some of them are highly profitable and others are not? Why some companies are highly creative and others just observe and follow?

In the observable reality, some organizations accept the *status quo*, the current competitive advantages they have. Others control the situation and create new competitive advantages. In essence, it is a matter of leadership and strategy (Barney, 1986, 1991; Hamel and

Prahalad, 1996, 1989, 1990, 1994a, 1994b)<sup>1</sup>.

A study by the University of Warwick (Bennet, 2002), about the quality of management of Portuguese entrepreneurs and leaders, has concluded that a large proportion of them have a poor knowledge of management and culture. The Portuguese leaders do not plan or generate their activities considering objectives; they do not value properly their teamwork, they do not have a customer focus, they have a distant and autocratic leadership. Also the OECD report (2004) confirms these weaknesses regarding the Portuguese entrepreneurs and leaders. And, in fact, this occurs in many Portuguese hotel organizations where the family business and traditional individual "leadership" predominates.

Nowadays world is different and continues to change so fast that we get outdated and obsolete if we do not challenge our own beliefs and our paradigms.

Some years ago, a good hotel "general manager" in Portugal was considered the one who got experience in hotel management, and his essential role should be to get many clients for the hotel and to provide a good service to the client. Management techniques and team leadership were not taken in great consideration. This paradigm still persists in Portugal in this sector. Anyway, this is a transitional, heterogeneous phase, a mixture of persistent managing models and "new wave" directors, who try hard to fight against installed obsolete administrations. In the above referred cases the "leadership" is closely associated with the owner himself (founder or successor), as a result of a kind of

<sup>1</sup>These authors are the main references of the "school of the resources" (resources based view) and have a strategic vision that puts the emphasis on the companies' own resources (core competences), that are intangible. Socially complex resources and organizational processes are seen as involving the true sustainable competitive advantage factors (resources, knowledge and strategic leadership). The pioneers of this theory were Chamberlin (1933), Penrose (1959) and, more recently, Sustained (1984) and Barney (1986, 1991). Anyway, the biggest references are in fact Hamel and Prahalad (1994).

dynasty based on the acceptance of a kind of "natural leader", whose "right" to "govern the House" passed from generation to generation. Even today, in many of the Portuguese independent hotel units, the hotel owner recruits a salaried director (usually a legal requirement), but always keeping the "rein in his strong hand", that is, there is a great control and a great interference to the point of not knowing exactly who is, in fact, the director in charge. This hotel management model may not have an easy differentiation from the traditional one. The hotel manager is, in fact, no longer "responsible" for a proper provision of the client services and, eventually, for hotel marketing. He is, essentially, a hotel operation technician, not a manager or a leader.

Thus, the future of many hotel companies is still very much viewed as a linear extrapolation of the past, what is incompatible with the new times and therefore with low effectiveness and efficiency.

In contrast to this, today's consumers are more demanding and "want more for less" and are not willing to pay for the inefficiencies. The competition is global and it is reached by the best companies. So it is crucial to have steady progress in products and services but at the same time in the processes, in leadership and strategic management philosophy.

## 2. The Problem

In Portugal, particularly in hotels, the average productivity is considerably low. So, in truth, "Portugal is not competitive". As a consequence "Portugal must approach the European partners' productivity levels"! This consists, firstly, on the need of getting to the top, to get the strategic development. So, the main problem is the growing imbalance between the social and business reality and the perceived situation of many Portuguese companies particularly in the hotel area and the position assumed by their administrations and directions. Therefore, one of the causes of the low productivity is in fact the outdated model of leadership and management referred above.

In many areas of human resources management, teamwork has several advantages compared to an individual work, although there are exceptions. In more complex functions (as it is the case of the hotel) and in a complex environment, uncertainty and ambiguity (as in the current situation), it may be more advantageous to bet on team work. For this purpose it is necessary to give more importance to a leadership with complementary skills. However, it is not easy to find all the important skills in a single leader. In fact, it is not easy for most hotel companies, to hire top leaders with complementary skills. Anyway, it seems that one of the

assumptions that can lead to a change of the above scenario may be the replacement of the traditional management model based on one person, by implementing a new team leadership model (co-leadership) with complementary skills that form and add leverage and may be found not only in the senior management, but on the whole team, from the top to the base. All this may be reached if it is supported by information systems and quantitative and qualitative measurement that are benchmarks such as the Uniform System of Accounts for the Lodging Industry (USALI) and the Balance Scorecard (BSC).

## 3. Literature Revision

A lot of literature has been written about leadership. But in the co-leadership area, information is scarce and relatively recent. Some organizational theories can be seen as a background to this theme. It is the case of total quality management, reengineering, benchmarking, empowerment, balanced scorecard, for example. Naturally, this issue also results from several theories on the area of leadership. It is the case of universal personality traits (years 1920), behavior styles (1940's to 1960's), situational and group theories (1960's to 1980's), function and group exercise and charismatic/transformational theories (1990's and following).

Although it is recognized that there are some inborn leaders, currently the idea that they are so few and so rare still predominates and as a consequence it is not possible to depend on them to guarantee the company's success. Consequently it is an evidence that leadership can and must be learned (see, for example, Drucker, 2006 [2004], 2009 [1989], 1999 [1990]). There will be some intrinsic features that are inborn. They can help but the real leadership can be found in ordinary people. However, it involves big changes and a huge personal dedication which most people do not want to undertake. Other people, in turn, do not even have the opportunity to practice it (Welch, 2005, 2005 [2001], Ghosn and Riès, 2003). The great entrepreneurial leader J. Welch says that there is no easy way to be a leader and, even so, there are good leaders – with all kinds of 'packaging'" (see Welch, 2005).

In spite of not being a novelty at all, co-leadership may be a good solution to tackle today's complex challenges particularly in the hotel management.

### 3.1 Co-leadership

#### 3.1.1 Co-leadership: success and constraints

Considering that the Portuguese culture is of Latin origin it is characterized by a very strong chief, the

Patriarch, the “leader” who centralizes more or less everything and who is expected to solve all the problems. Leadership is obviously and clearly a natural gift and an individual activity. Usually it is assumed that leadership results from a singular person inheritance; a leader is considered just as a singular individual with single capacities.

However, the studies show that even the most famous leaders “loners” were surrounded by a team of other real leaders – see for example O’Toole (1999, 2001, 2002) and Heenan and Bennis (1999, 2001). These authors were the first to arouse attention to this new way of seeing and thinking about leadership.

The co-leadership is a key word which shows the way how power and decision are spread throughout the company. All societies had and have super stars, well-known leaders. However, there are many others who are not so well known. These authors’ researches permit to conclude that the leadership identification with a single leader is a fallacy (and it is not simple to change the paradigm). The authors of these studies indicate that organizations major sustained success cases had a team at the top and not a single leader. Nowadays, living in a much more complex world, companies need talented teams, formed by leaders and co-leaders to work jointly as a team, in order to make things progress. According to these authors, it is possible to achieve through partnership what cannot be achieved individually. The visionary leaders of the future are the ones who recognize the importance of creating alliances with others, who are involved in common projects. These “heroes” can be completely different from each other. However, providing that they share an essential cooperation and collaboration results will appear. Behind a successful organization, there is a chart of co-leaders, who are the key people who do the work, even without being crowned with glory.

This new vision and a “*primus inter pares*” relationship reflect a radical change in the organizational life of a new era in which we are living today. Nowadays, ideas are indispensable and they are well received, wherever they come from, at any level in the company.

Anyway, a shared direction is not itself a sufficient condition to guarantee the highest effectiveness and efficiency in the institution management. A team shared direction may not result. There are necessary conditions to be successful.

So why are some executives really good on the power-sharing and some others fail? All these authors refer a number of factors, starting from the importance

of the attitude of the ones who have the power and going to a series of requirements to be taken into account such as:

- the existence of a mutual understanding,
  - having humility and confidence,
  - ability to make a good team,
  - having a real feeling about the advantage of having other powerful talents in the team,
  - considering the strengths and contributions of other team elements,
  - having chemistry among partners,
  - sharing the limelight, in a positive way,
  - delegating responsibilities,
  - having a coordinated team work,
  - etc.
- (see Heenan and Bennis, 1999: 231-280; O’Toole *et al.*, 2002: 15-20).

In short, the most important thing is to put the effectiveness of a joint project ahead of the ego. A visible advantage for the success of a co-leadership team results from facing the situations through a single vision and showing unity in good and bad times. The team members have to be honest with each other on the contribution each one gives the team and in the way they share the need for knowledge and power.

### *3.1.2 Co-leadership and an enlarged management structure*

Pinchot and Pinchot (1993) say that the effective organization is the one which uses the intelligence of all its human resources (and not just the one of the superiors). Invited by the Foundation Peter Drucker (in 1996), to comment on what leadership will be like in the 21<sup>st</sup> century, Pinchot states that the organizations of the future will consist of intra-entrepreneurial (entrepreneurs) communities, i.e., small business owners who create businesses within the company. Therefore, the leadership methodology must be indirect, allowing the existence of a greater number of leaders within the organization. Soon, adds this author, delegation is not enough. The very concept of empowerment is not enough to overcome the traditional corporate bureaucracy. The only proper tool is the introduction of a market inside the company and the creation of an intra-entrepreneurs system. Peter Senge - another guest - defends the opinion that the challenges of systemic change cannot be solved by the hierarchy, not even by heroic leaders individually. A mix of different types of people is required, in different positions, which lead in different ways. Another guest of that event, Schein, referred that many more people within the organizations will have to play the leading role, to improve management. Kouzes and Posner, also guests, defend in their turn that leadership is an issue for

everyone. The most pernicious myth is the one that associates leadership to a role reserved only for a few. And they complete their arguments by saying that leadership is not a position, it is a process. Finally Blanchard, also a participant in the same event, said that even though the vision has to start from the top, each one must contribute to the process.

Thus, organizations which want to have all employees engaged in the implementation of their strategic project practice co-leadership. It has to be done not only at the level of top management, but, throughout the hierarchy, from the top to the base. The studied examples indicate that. Enough identification and combination of the factors enable this combination of directors to be successful. In this new organizational universe, the power and responsibility are not only distributed *inter pares* (no longer number 1 and number 2), but they are spread within the organization, and this allows the company to have a constellation of co-stars. Of course, this implies a very cohesive team, who share values and aspirations, aiming to work all together in one direction and common objective.

According to the summary of the literature presented, any ordinary person can be a co-leader as long as he wants to be, since he has the enough and adequate talent providing that the organization recognizes and values the co-leadership properly.

Heenan and Bennis (1999) say that the traditional structure of number 1 and number 2 (CEO and COO) is evolving and it will tend to something more fluid. Under the title “two people know more than a single one – sometimes”, these authors show that, in order to create a strong top, some companies do purposefully choose a more radical co-leadership type of co-equals (perhaps more risky). And they present cases for this model “two for one”. Then, Heenan and Bennis wonder if this unusual model will go ahead. Will they be able to sublimate their egos and continue to manage as co-equals? And they answer these questions by saying: “it depends on chemistry and respect” (...) “This requires exceptional people”. Nevertheless, these authors refer various successful cases of co-CEOs, in which, for example, one focuses more on the vision of the company and the other one more on the achievement of the strategy. Yet they present external testimonies from people who applaud this challenging unusual co-leadership model.

But there are also those who are very skeptical about this model. Heenan and Bennis (1999) say that, in fact, the challenges of forming a strong team personality, in an *inter pares* co-leadership model, are

considerable. In this case, inevitable conflicts will occur. In co-leadership management (with number 1 and number 2), “the egos of each person” must always be taken into account, and even more on *inter pares* co-leadership. If the most essential conditioning factors are taken into account and are respected, the advantages of the model seem to be large and obvious. However, it is necessary to be very aware that the success of the co-leadership cultures depends on the mental attitude and commitment of the agents involved. The co-leadership keystone is the real will to share the power with the potential allies who should share the same convictions and who will complement each other. When everything fits, there are complementarities, affection, trust, values and commitment on the same joint project. The functions are easily distributed, according to the abilities of each member. The differences are resolved, at the right time, without acrimony and without loss of mutual respect. A great partnership benefits everybody.

In short, co-leadership is part of a strategy which releases all the talents of the entire organization. More than rhetoric about teamwork, co-leadership is a shared commitment. It is not only resumed to number 1 and number 2, but enlarged to the equals at all levels throughout the organization, to enrich and to facilitate the constant changes that are necessary to be introduced in the organization. The new leader is a co-leader who overpowers the hierarchy, who communicates freely with all the people at any hierarchical level, the one who prefers that his subordinates think by themselves as it is the case of the knowledge era's workers.

### **3.2 USALI (Uniform System of Accounts for the Lodging Industry) and BSC (Balanced Scorecard)**

#### *3.2.1 USALI and BSC: General Notes*

Nowadays, USALI-Uniform System of Accounts for the Lodging Industry and the BSC-Balanced Scorecard are two important instruments in the analysis of leadership and in the strategic management for the innovative and competitive lodging industry. These two instruments are complementary as management information systems.

USALI is a uniform hotel management accounting system, specific to the lodging industry, which allows their members “to speak and understand” the same language in the co-leadership and management team. It permits to get standard indicators and, thereafter, any hotel can use it to compare average indicators of competition and, in addition, it permits to assign responsibilities to the directors (HANYC, 2006; Lamelas, 2004, 1982).

BSC is a measurement system of performances that previously considers a model of strategic management and then a system of measurement of the performance of that system. Finally, it can and must be associated with an evaluation system of the performances – see Kaplan and Norton (1996), Cruz (2005) and Bancalero (2006).

These two management tools use a technical language that can and must be used as a common bond among all team members, no matter if co-leadership team is more or less heterogeneous. It must happen in a very special way in the top co-leadership. If people have a common vocabulary and share a vision, and additionally share a set of objectives and a common perspective of what to do and how to do it, consequently they can coordinate their behaviors in a team, as much as they will work on co-leadership and more autonomously (Pfeffer, 1981, 1994 [1992]).

### *3.2.2 USALI and BSC contribution to co-leadership management*

The organizations that aim to have all the employees engaged in the implementation of their strategic project use a co-leadership approach, which is leveraged by USALI and BSC methodologies. This happens not just at the level of top management, but going through the hierarchy, from the top to the base, as already referred.

The BSC permits this kind of alignment from the top to the base. It not only “obliges” companies to have a vision, a mission and a well-defined strategy, but it also provides a set of ideas and a specific language to communicate that vision, mission and strategy of the company. It reflects the existence of a mission and a strategy revealed throughout coherent objectives and measures that are organized considering four key areas: the financial, the customer’s area, the internal processes, learning and growth. It provides the executives and the entire organization with a better understanding of the vision and strategy. It also provides an analysis of the effectiveness and efficiency of the action of all the agents involved, through an integrated and consistent set of performance measures. Since this approaching system has to be developed by the group of top executives, as a team project to which all contribute, it enables the top directors, each one with his own specialty, to make the team and create a consensus on areas of relative ignorance of each one individually. So the scorecard becomes a convergent path for top management team, as a way to build the organizational structure based on teamwork. Being the cornerstone of a strategic management system, it enables the alignment

from the top to the base. In fact, such a development necessarily begins on the strategic top team, by building a team which must be committed to undertake the project implementation. However, to achieve the maximum benefit, the top management team must share their vision and strategy with the organization as a whole and with important partners from outside the company. All the multiple BSC measures suggest the need of achieving the overall objective, which is the implementation of the integrated strategy, involving a “unity of purposes”. Apart from contributing to maintain the financial gauges as critical lines for the organization performance, it draws the attention to a set of more general and integrated sensors that connect the customer’s perspective, internal processes, employees and the performance system, which altogether bring long-term financial success. The use of this language and measuring tools as a means for understanding the organization performance also contributes to better understand some complex and often imprecise concepts in a clearer way which reinforces a consensus among the top managers. It also creates a shared understanding and a commitment among all organization participants by communicating the strategy and linking it to the personal objectives of each involved agent.

Indeed, all the multiple measures point to achieve the overall objective, which is the implementation of the integrated strategy, containing within it a unity of purposes. By communicating the strategy and linking it to the personal objectives, the scorecard creates a shared understanding and a commitment among all the participants of the organization. The alignment of the organization through the strategy should be encouraged by a system of rewards and incentives. This strengthens the role of the scorecard system as a cultural change factor.

In short, BSC contrasts with the lack of a systematic process to implement and obtain feedback on the strategy. It contrasts with the simple use of USALI which only provides economic and financial information, but it also relies on it for this purpose. As a consequence both of these methodologies appear as being complementary.

## **4. Methodology**

The analysis of the literature shows that there are success cases of co-leadership throughout the organizations history. It also shows that a shared leadership is probably more efficient at solving the problem of low labor productivity in Portugal than the traditional model of central direction on a single director

or leader, in which he is the only one who has got the “know-how” and the decision power.

So, following the study of the hotel organizations operating in Portugal, the main aim was to verify what kind of leadership models would provide better results in terms of effectiveness and efficiency, i.e. the most centralized or the most participated ones, basing on the advantages of the complementary skills of co-leadership.

This research took place between 2005 and 2008. One questionnaire was used to measure the organizational environment (adapted from Quim, by the author) another one to measure the type of leader (adapted from Pitcher also by the author) and another one to measure the motivation (whose author is Hertzberg). The referred adaptations were based on the Portuguese reality. Furthermore interviews were made and reports of historical cases were analyzed.

So, in addition to a query made to hotel directors on a national scale, the main sample results from hotel groups operating in Portugal and from a set of 12 independent hotels, a set of 30 hotel groups were contacted and a valid collaboration of 14 was got. The number of valid inquiries for the analysis of context was 70; for the environment analysis, motivation (employees) and type of leadership (directors) 1653 were got; summing a total of 1723 inquiries. Additionally to these surveys, interviews were made to CEOs or equivalent and qualitative and quantitative performance measures were collected. Almost all these aspects are considered to be a sensitive matter for companies either they are qualitative (companies environment, motivation, leadership style, quality of service) or quantitative (several accounting performance indicators, for example). And this was, perhaps, one of the main restrictions to the survey. One has to say that this research began in 2005 and continued until 2008.

In addition to the methodological tools of research that were presented and in order to understand the dynamics of change in the organizations and co-leadership problem, the historical report of a changing experience of this kind of co-leadership in a specific hotel was used. The interest in this kind of organizational description, although it is relatively new in the field of management, it has been growing considerably. Its main objective is to try to understand the vicissitudes of a co-leadership model when successive attempts of carrying out a process of organizational change and development are implemented. Additionally it reveals a efficiency obtained in the results, contrasting with the apparent

failure of each attempt itself. In this case, the efficiency was measured, based not only on the analysis of the evolution (internal and the market one), but also on statistics data (room occupation and average room rate, RevPar). Apart from that financial data (GOP and productivity) as well as the satisfaction evaluation of customer services (daily questionnaires) were considered. A good story can reverse a situation apparently failed into an unexpected triumph in the future (medium/long term).

## 5. Main Results

At this stage, it is convenient to consider that the objectives of this research are:

- First, to have a general overview of the predominant management model in enterprises and hotel units in Portugal. More specifically, to check out if there are hotel companies in Portugal implementing co-leadership theories or co-leadership practices.
- Second, to check out whether there is a significant and positive correlation between this leadership model (independent variable) and the effectiveness and efficiency (dependent variables).

As secondary objectives, it is important to ensure the analysis of the importance that is given to USALI and BSC tools such as the philosophy and a common language and the instruments for measurement of effectiveness and efficiency.

So, let us assume the general hypothesis that in the lodging industry, the key competencies such as strategic vision, operational performance and monitoring correspond to the key areas of management and hotel management today. Besides, let us also assume that these skills are distinct, identifiable and globally compatible and complementary. So, it is possible to define the specific hypothesis that the model of management and team management (co-leadership) offers significant advantages in terms of effectiveness and efficiency compared to the model of one-man management. This presupposes that the dyads or triads have been formed and mutually recognized and accepted as skills that complement and hopefully promote each other.

### 5.1 Analysis of the investigation results in a lodging industry context

Respondents to the survey of hotel context (made at national scale) indicate that most of the hotels are small (45.7% have not as many as 100 rooms and 65.7% fewer than 150). And approximately 55% are familiar or at least independent.

Most top administrations and directions from Portuguese hotel companies have centralized administration/ Directorate (31.7% of cases centralize everything and 17.1% only “delegate” the operations’ area). However, according to the respondents, 25.7% of cases already practice a shared leadership (co-leadership type).

At hotel level, a centralized direction model also prevails, centralized in the person of the general director(GD) (in 36.4% the GD centralizes everything and in 24.2% centralizes everything except the financial function, which represents 60.6%). Only in 12.1% of the cases the three main competences work as a team (co-leadership).

On the use of hotel management accounting system, 59.2% of those who spoke out say they use it; 82.4% say it was adapted from USALI; 85.7% say that it permits to make interesting comparisons and 92.7% say it is “very” or “absolutely” useful to management. Therefore one can say that the hotel management accounting system used in the Portuguese lodging industry is virtually synonymous of the USALI model, also known as uniform system.

There is a very close relationship between the model used in hotel management and the use of USALI.

USALI is less used (only 11.9%) in hotel organizations with one administration that centralizes everything. The most decentralized organizations (which have a commercial, direction, an operation direction, an administrative and financial direction, separately from the Administration itself, i.e. closer to the model of co-leadership, representing 25.7% of the cases) use prominently the USALI (40.5%).

As already mentioned, most hotel respondents are independent and are the ones that less uses the USALI. On the contrary, the companies of hotel groups are the ones that most use this management tool. The use of USALI also varies not only with the category, but also with the size of the hotel unit. There is a direct relationship between the dimension and the use of USALI. The smaller the size and category of hotels, the smaller it uses.

Therefore the use of this important management instrument, the USALI, is directly associated with the dimension (of the hotel unit and the company), the category, the group and the co-leadership. On the other hand the BSC (also especially asked in the interviews) is almost ignored. Only in the largest companies did the interviewees say they were preparing its application. Since the BSC is a recent theory (is about 15 years old,

while the USALI is 85 years old)this is understandable. Even in universities did it only recently begin to be.

## 5.2 Analysis of the results of the relations between the co-leadership and other variables of effectiveness and efficiency

The analysis of the relationship between co-leadership and the other variables of effectiveness and efficiency regarding the present research, (Pearson  $r$ ) shows results that corroborate the hypothesis of this research. It confirms that the management model and the management team (co-leadership) offer significant advantages in terms of effectiveness and efficiency, as compared to the model of leadership and unipersonal management.

In fact this research confirmed the existence of a strong and positive correlation between the variables “co-leadership” and “GOP” (Gross Operating Profit, i.e. the operational results) ( $r = 0.75$ ). This means that the stronger the co-leadership pattern is in the Portuguese hotel business, the greater the profitability reflected in the GOP indicator is, that is to say, the operating results are much better.

In addition to this strong correlation among the variables “co-leadership” and “GOP”, both of the are positively correlated with the “organizational environment”. This means that co-leadership tends to produce positive effects both in the operational results and in the labor environment, and this, in turn, tends to favor the operating results.

Let us assume, on the one hand, the correlations among three variables which are directly related to the human resources management:

- the strong correlation between “environment” and “motivation” ( $r = 0.85$ ),
- the medium-intensity correlation between “environment” and “co-leadership” (0.54) and
- the weakest correlation between “motivation” and “co-leadership” ( $r = 0.29$ );

and, on the other hand, also

- the strong correlation between “co-leadership” and “GOP” ( $r = 0.75$ ).

It is now possible to conclude that, in the Portuguese hotel business, a culture which focuses on the sharing of responsibilities and decision-making:

- is more effective (generating the biggest direct benefits in client satisfaction and ensuring the best psychosocial benefits, reflected into a better organizational environment and a greater labor motivation index);

- is also more efficient, once it ensures the best operating results.

Therefore, in the Portuguese lodging industry, the higher the penchant of co-leadership is, the better the organizational environment and the motivation in the company are, improving operational results and allowing a greater client satisfaction.

Basing on these data, one can say that the Portuguese lodging industry staff evaluates more positively the management performance and the leadership in hotels where there is co-leadership. Conversely, the evaluation is worse in these two dimensions of the organizational environment in the hotels in which decisions depend on a single person or are more centralized.

"The management performance" and the "leadership" are more favorably perceived by hotel employees where decisions are more decentralized and shared. It is natural that the organizational environment is also more favorable in these hotels. Two reasons contribute for that:

- on the one hand, the perception on the management performance and leadership are two of the constitutive dimensions of the global organizational environment;
- on the other hand, these dimensions are strongly and positively correlated with all the other dimensions of the organizational environment.

The hotels which adopt models of co-leadership find their efforts rewarded by getting better general performance ratios and not only rewards of a financial nature.

In the hotels dominated by co-leadership, there are:

- effectiveness gains (resulting from labor motivation, better organizational environment, significant improvement of perceived quality of services), and
- clear efficiency gains (at the operational profitability level).

### **5.3 Analysis of the experience of changes resulted from co-leadership at the studied hotel**

A specific Portuguese Hotel was studied (Hotel A)<sup>2</sup>. After several attempts, finally in 2007 the minimal conditions and the necessary consensus for the implementation of policies and a strategic plan in this hotel were achieved. This plan has been integrated and participated transversely in the hotel. That is, after

several attempts in previous years, the first formal experience of co-leadership was made possible. The architecture of this strategic plan (SP) and its implementation has been leveraged and coordinated by a minority owner who, at that time, had tacit power and the "know-how" to do that.

Despite the little enthusiasm and the progressive difficulties created by the strategic top peers, the truth is that this strategic plan - associated with the co-leadership model - was developed and worked throughout the year of 2007 and, by inertia, throughout a great part of 2008.

Except for the years in which Portugal had mega events (1998 and 2004), the years of 2007 and 2008 were the best in the history of this hotel, in terms of effectiveness and efficiency. Precisely in the years in which, for the first time, an integrated strategic plan was implemented, being supported by various manuals, participated by all the staff and set in motion by the model of co-leadership finally institutionalized. Never had this happened before in this hotel. Besides, such a plan was not usual in the lodging industry in Portugal.

The analysis of the indicators of effectiveness and efficiency of the experience of change, which was introduced by the co-leadership in Hotel A, shows the following:

- The occupancy rate rose from 63% in 2005 and 2006, to 68% in 2007 and to 72% in 2008. This was higher than the average competition not only in the geographical area (which was only 65% in 2007 and 63% in 2008) but it also exceeded the objectives set for this period in the SP (which was 63% for 2007 and 65% for 2008). In 2009 it fell - 6.2%, compared to -5.9% in the Hotel A geographical area. So the reduction was higher than in the competition.
- The average room rate (ERR) fell first and rose slightly (from 45.0 in 2006, to 42.8 in 2007 and to 46.8 in 2008). At this point the SP objectives were not achieved and the hotel kept its prices still below the ones of the competition hotels. In 2009, the average price dropped -6.5%, against -6.4% in the zone. Therefore a dropping slightly higher than the competition.
- However, despite marketing costs diminished in 2007 and 2008, the evolution of the hotel sales in these years was very good and exceeded the objectives of the SP, being the variation of + 13.5% in 2007 and + 11.5% in 2008. It must be noted that, at the national level, hotel revenues rose only 11.7% in 2007 and 1.7% in 2008. Therefore the

<sup>2</sup>Hotel name is not revealed by confidentiality reasons.



selling price rise was lower than the hotel objectives, but it did not impact negatively on the sales amount, quite the opposite. In 2009 sales at Hotel A decreased 9%.

- So, RevPAR(*revenue per available room*) rose from 24.01€ in 2006 to 29.12€ in 2007 (+ 21.3%) and to 34.14€ (+ 17.2%) in 2008. Despite these significant increases, these figures were still worse compared with the ones of the competition, in which evolution was 32.9 € (2006), 39.55 € (2007) and 37.25 € (2008). In 2009 this average dropped 12.1%, against a fall of 11.9% in the zone. So the reduction was higher than in the competition.
- The evolution of the total operating costs exceeded the SP objectives (a variation of +6%, in 2007 and in 2008, when the objectives outlined in the SP were, respectively, -6% and +2%). No data of this kind was available for competition.
- The GOP ratio (profitability of sales) did not reach the audacious objectives proposed in the SP (due to the costs increasing). However (and more important than that) it was far superior to the ones of 2006 and 2005, respectively 26.5% and 28%, and rose to 31.3% and 34.6% in 2007 and 2008, respectively, i.e. variations of + 34.1% and + 23.0%. In 2009 it came down again to 32.2%, a reduction of -15%. No data available for competition. But the best performance results got through this research referred to an earlier period (in which the case of co-leadership prevailed) dominating the ranking from 30 to 40%.
- The average GOP per available room also recorded a very positive change: + 44.41% from 2006 to 2007 and + 15.35% from 2007 to 2008. In 2009 it decreased -15.8%.
- The GVA (Gross Value Added) had a variation of + 36.0% in 2007 and + 21.9% in 2008.
- Labor productivity also increased in the two years of the strategic management experience on co-leadership. It rose from 2.57 in 2006 to 2.74 in 2007 (+ 6.6%) and to 2.94 in 2008 (+ 7.2%). In 2009 (a year of heavy cuts in costs), dropped to 2.91. But the index of client satisfaction fell a lot, especially in the months of peak season (July, August and September, 2009).

In the last months of 2007, the external consultant for customers made the survey analysis of external clients referring to the first nine months of 2007, in which there was a significant improvement of the client satisfaction index<sup>3</sup>. To the question: "If you return to the area where the hotel is located, will you use our hotel?"

The overwhelming majority (81.3%) answered "Yes". The client satisfaction index (CSI) reaches its maximum value in the room service (94.9%), surpassing even the valuation index assigned to the reception staff (94%). The relatively low score on CSI is mainly associated to the first four months of this semester and is improving in recent months. "It is therefore expected that this indicator improves significantly" – the report says.

Concerning the 3<sup>rd</sup> quarter evaluation, the same report states: "the restaurant staff satisfaction improved significantly during the period July/September (despite being the peak of the high season). The respective index of satisfaction increased from 49 to 63.2. The "restaurant services" also showed better results in the summer period: in six out of the nine evaluated items there are significant improvements of the satisfaction index.

It shall be noted that the Strategic Plan of change was discussed and implemented precisely during the first months of 2007.

Therefore in the years in which ran this model of co-leadership, Hotel A has had the largest performance ever got.

However, despite this short experimental period, everything could have been better. But, worse than that, the strategic management in this co-leadership project, which was monitored by a minority owner, had no conditions to continue. Analyzing the process some strategic failures occurred in the top management. Although the General Director, managers and other front line employees were fully involved and were completely committed to the project, that seems to be essential, but not enough. It is crucial to have power. The project leader had no power. As Zalesnik (1989), Heenan and Bennis (1999) say: "leadership inevitably requires the use of power to influence the thoughts and actions of other people. Besides, it is shocking to see how often those who hold the power are tempted to make mistakes, sharpening their knives against a very useful potential ally. In the economy of the 21st century, the autocratic leader has little or no space. Leaders who will become successful, healthy and strong are those who are actually able to work together – they complete".

## 6. Conclusions

Low dimension hotel units prevail in the Portuguese lodging industry as well as the relatively small hotel groups.

Most directors of the Portuguese hotels are men and have a higher education.

<sup>3</sup>This consultancy would be interrupted in 2008.

There is a considerable percentage of hotel units using the analytical accounting management, being the USALI the best known system and the preferred one.

The centralized administrations prevail in the Portuguese hotel organizations and they are the ones who less use the USALI system. On the other hand, the most decentralized Portuguese hotel organizations occupy the second place, representing 25.7% and they are precisely the ones which most use the USALI (40.5%). The use of USALI also varies with the category of the hotels and with their size. The higher the category and the size are, the higher USALI utilization is, and vice versa. The family hotels and the independent ones are the hotels that less use USALI and the grouped hotels are the ones which use it more.

As stated before, in the Portuguese hotel organizations there is an administration which centralizes everything. The more independent the hotels are, the more centralized the top management is and vice versa. The larger the size of the hotel unit is, the greater the decentralization is and vice versa. The bigger the hotel group is, the bigger the tendency seems to be for a co-leadership. It is also in the hotel companies, in which a centralized administration prevails, that a centralized direction can be registered in the hotel units.

So it is possible to conclude that these survey results confirm the perceptions and the above analysis of the situation about this theme.

In turn, the leadership top team varies with the size (the larger the dimension, the greater the decentralization and vice versa). It also varies with the independence (the more familiar or independent the hotels are, the more centralized the top management is and vice versa). Furthermore it varies with the size of the hotel group (the larger the hotel group is, the bigger the tendency is, for a co-leadership).

As expected, there is a strong correlation between the management registered at the top level of the hotel companies and at the level of the hotel units. The hotel companies, where the Administration is predominantly centralized, register a centralized direction which can also be registered in the hotel units. This makes sense, as it is in the top that "rules are conceived" and it is the top that leads the way.

The education level of the GD does not seem to affect the decentralization as much as one might expect. This can perhaps be justified by the fact that more than 75% of GD's already have higher education and their administrations remain very centralized. But it also makes us recall the Druker's criticism that "our

universities still teach and practice the idea of one leader".

Regarding the analysis results of the changing experience in a co-leadership (years 2007 and 2008) listed in the reported case, it is possible to conclude that:

- Effectiveness and efficiency indicators show that the years of 2007 and 2008 were the best the hotel had ever got. This may probably also be a consequence of the favorable national and international tourism context. However, as the external environment of the year 2006 was also quite favorable, it provided a good year for the lodging industry. In spite of that there was a decrease in the activity and the performance of Hotel A, in spite of having spent the maximum amount on marketing. One can say that the Hotel was going against the cycle. Hence, it seems that we can infer that the very profitable years of 2007 and 2008 may have not depended just on the good general context.
- Other factors have contributed, especially the new strategic management model supported by co-leadership. In previous years, a strategic plan had never been assumed (and it was always a matter of discussion on the Board): a strategic plan framed in an assumed co-leadership. This happened for the first time at this Hotel, in 2007 and 2008. Therefore, in the years in which this model of co-leadership was implemented, this Hotel got the highest performance it had ever reached.
- In short this new study about the Portuguese lodging industry offers several relevant information, which can be considered at different levels, such as: information about hotel managers and to what point they use the USALI methods, information relating to the kind of direction that predominates in the companies (administrations) and their hotel units (where they are agents), the employment environment and the degree of employees' motivation in the hotel lodging industry. Even more important is the information about the relationship of all these matters with the essential objective: effectiveness and efficiency. Bearing in mind that the structural problems of low productivity of Portuguese companies is a requirement to solve, the analysis of the results of this survey reports that increasing productivity can result from the existence of a co-leadership.

## Acknowledgements

This work was financially supported by FCT through the Strategic Project PEst-OE/EGE/UI0315/2011.

## References

- [1] Bancaleiro, J. (2006), Scorecard de Capital humano – Como medir o activo mais importante da sua empresa. Lisboa, Editora rh, Lda., 1ª Ed.
- [2] Cruz, C., (2005) Balanced Scorecard-concentrar uma organização no que é essencial, Porto, Ed. Vida Económica
- [3] Drucker, P., (1979[1973]), Management: Tasks, Responsibilities, Practices, London, Pan Books Ltd, revised version.
- [4] Drucker, P. (1996), Os líderes do futuro, Executive Digest, July.
- [5] Drucker, P., (1999[1990]), Managing the Non-Profit Organization, Oxford, Butterworth-Heinemann.
- [6] Drucker, P., (2009[1989]), The New Realities, New Jersey, Transaction Publishers, New Brunswick.
- [7] Drucker, P. and Maciariello, J. (2006[2004]), O Diário de Drucker: Ensinamentos e mensagens de inspiração para ao 365 dias do ano. Conjuntura Actual Editora, 2ª edição. Lisboa. Original Title: The Daily Drucker (2004), Harper Collins Publishers. Translated from English by Carla Pedro.
- [8] Ghosn, C. and Riès, P. (2003), Citoyen du Monde, Paris, Éditions Grasset & Fasquelle.
- [9] Hamel, G. and Prahalad, C. K. (1990). The Core Competence of the Corporation. Harvard Business Review, May-June 1990
- [10] Hamel, G. and Prahalad, C. K., (1996[1994a]). Competing for the Future, Boston, Massachusetts, Harvard Business School Press.
- [11] HANYC-Hotel Association of New York City, Inc. (2006), Uniform System of Accounts for the Lodging Industry, Michigan, Educational Institute of the American Hotel & Motel Association, 10th Revised Edition.
- [12] Heenan, D. and Bennis, W. (1999), Co-leaders: the power of great partnerships. John Wiley and Sons.
- [13] Kaplan, R. and Norton, D. (1992), The Balanced Scorecard – Measures that Drive Performance. Harvard Business Review, January–February.
- [14] Kaplan, R. and Norton, D. (1996), The Balanced Scorecard, Boston, Harvard Business School Press.
- [15] Lamelas, J., (2004), Sistema Uniforme de Contabilidade Analítica de Gestão Hoteleira, Lisboa, Vislis Editores.
- [16] Lamelas, J. and Teixeira, J., (1982), Um Plano de Contabilidade para a Hotelaria, Lisboa, Clássica Editora
- [17] Lopes, A. And Reto, L., (1991a). Liderança e Carisma: o exercício do poder nas organizações, Lisboa, Editorial Minerva.
- [18] Lopes, A. And Reto, L., (1991b). Identidade de Empresa e Gestão pela Cultura, Lisboa, Ed Sílabo.
- [19] O'Toole, J. (1999), Leadership A to Z: A guide for the appropriately ambitious. San Francisco: Jossey-Bass.
- [20] O'Toole, J. (2001). When leadership is an organizational trait, in: W. Bennis. G. M. Spreitzer & T. G. Cummings (Eds.). The future of leadership. San Francisco: Jossey-Bass.
- [21] O'Toole, J., Galbraith, J. and Lawler, E. (2002). When Two (or More) Heads are Better Than One: The Promise and Pitfalls of Shared Leadership, Los Angeles, CEO Publication, Center for Effective Organizations Marshall School of Business University of Southern California.
- [22] Parreira, A. (1996), Liderança – Tecnologia da Eficácia para o Desenvolvimento de Pessoas e Grupos, Lisboa, Edições Universitárias Lusófonas
- [23] Pascal, R. T. and Athos., A. G. (1986), The Art of Japanese Management, Nova York, Penguin Books Ltd.
- [24] Peters, T. (1995), Em Busca do UAU! Um Guia para Tempos Loucos, Venda Nova, Bertrand Editora. Original Title: The Pursuit of Wow!: Every Person's Guide to Topsy-Turvy Times, 1994. Translated from English by Conde, J. P.
- [25] Pinchot, G. and Pinchot, E., (1996[1993]), The End of Bureaucracy and the Rise of the Intelligent Organization, Berret-Koehler Publishers.
- [26] Pfeffer, J. (1994[1992]), Gerir com Poder, Políticas e Influências nas Organizações, Venda Nova, Bertrand Editora. Original Title: Managing

- with Power (1992), Harvard B. S. Press.  
Translated from English by J. Freitas e Silva.
- [27] Pfeffer, J. (1981), Power in Organizations, Marshfield, MA: Pitman Publishing.
- [28] Pitcher, P. (1997), The Drama of Leadership. Nova York, John Wiley & Sons, Inc.
- [29] Prahalad and Hamel (1989), Strategy Intent, Harvard Business Review, May-June.
- [30] Prahalad and Hamel (1990), The Core Competences in the Corporation, Harvard Business Review, May-June.
- [31] Prahalad and Hamel (1996), Strategy as a Revolution, Harvard Business Review, July-August.
- [32] Prahalad and Hamel (1994), Corporate Imagination and Expeditionary Marketing, Harvard Business Review, July-August.
- [33] Schein, E. (1996), Os líderes do futuro, Executive Digest, July.
- [34] Senge, P. (1996), Os líderes do futuro, Executive Digest, July.
- [35] Vencer (2006), Jornal de Negócios, Special Edition, within nº 767, July, 2.
- [36] Welch, J. and Byrne, J. (2005[2001]), Ma vie de Patron: le plus grand industriel américain raconte. Paris, Pearson Education France.
- [37] Welch, J. (2005), Vencer. Conjuntura Actual Editora, Lisboa, 8ª ed. Original Title: Winning, (2005). Harper Collins Publishers Inc, USA. Translated from English by Carla Pedro
- [38] Zaleznik, A., (1989), The Managerial Mystique – restoring leadership in business, New York, Harper and Row Publishers.